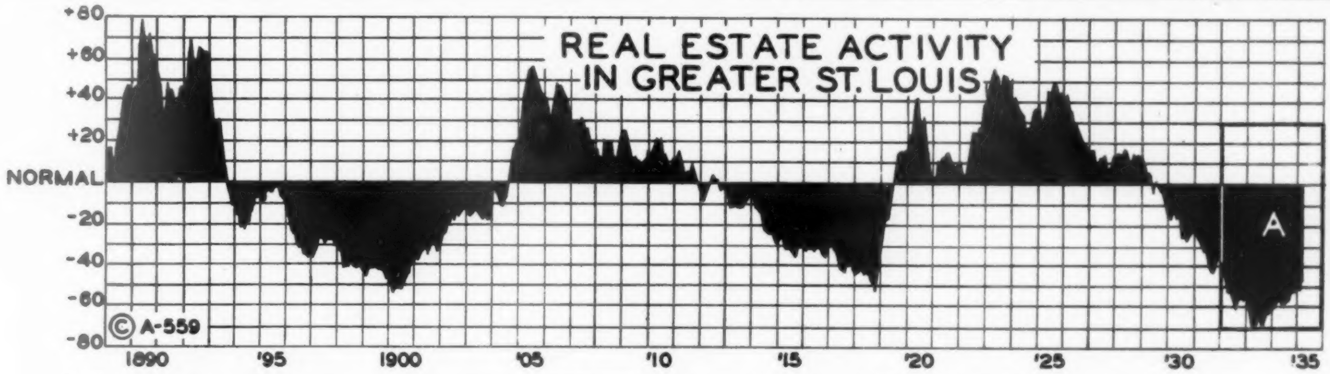
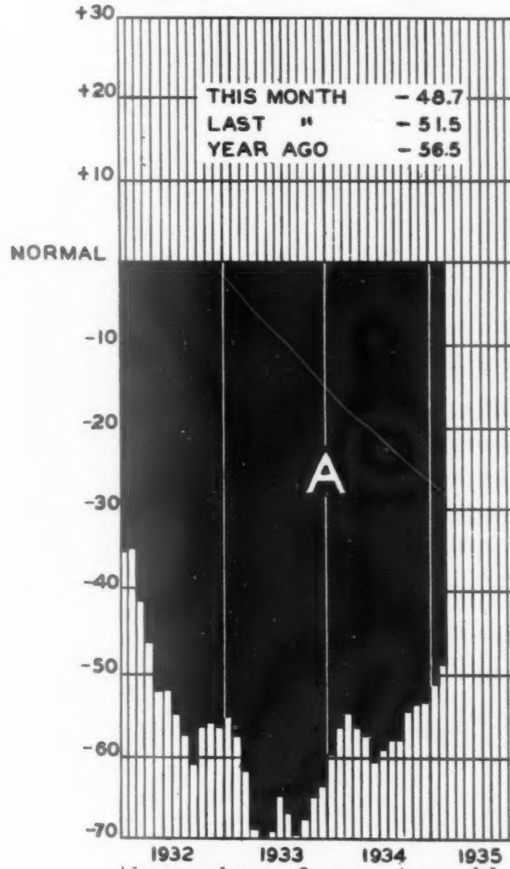
MARCH, 1935

The Real Estate ANALYST





THERE are two possible viewpoints on real estate. One is a close study each month of the fluctuations of all of the various factors affecting the picture. This is necessary, particularly at the present time when changes are coming at a faster rate than usual. The other is a study of general trends and the position in the long cycle. This is more necessary than the first. Buying and selling policies cannot be determined from the month to month fluctuations. They can be determined only by studying the position in the long cycle and the effects of general trends. That is the reason why the Real Estate Analyst has always made such an effort to present figures and charts over a long period. Trends are not discernible in the study of a shorter period.

Because of the latter viewpoint we are more interested in the increase of 36% in real estate sales in the last twenty-two months than we are in the fact that sales for February were 4.7% below the January level. (See chart on pages 375-376.)

While we are intensely interested in the fact that the average rent per month per room on dwellings for February in twenty-five metropolitan cities averaged approximately one per cent higher than it did in January and apartments approximately two per cent higher, we are more interested in the fact that this is a continuation of a trend which started almost a year ago. (See table on page 373.)

Again we are interested in the fact that the number of vacant residential units in Saint Louis (national figures not available for February) decreased during the month by 2.2% but we are more interested in the fact that during the last two years this type of vacancy has declined by more than 50%.

Foreclosures are decreasing again. Though still high they are now about a third under the peak of a year and a half ago.

(Continued on Page 378)

THE LENGTH OF THE REAL ESTATE AND BUILDING CYCLE

NUMEROUS charts and articles in the Real Estate Analyst have called attention to the unusual length of the real estate and building cycles. In the first discussion and charting of the real estate activity cycle in Saint Louis in the issue of March, 1932, we pointed out that in the period from 1862 to the present the average cycle had lasted more than fifteen years. In the May issue of the same year we charted the cycle of new construction showing it to have approximately the same length.

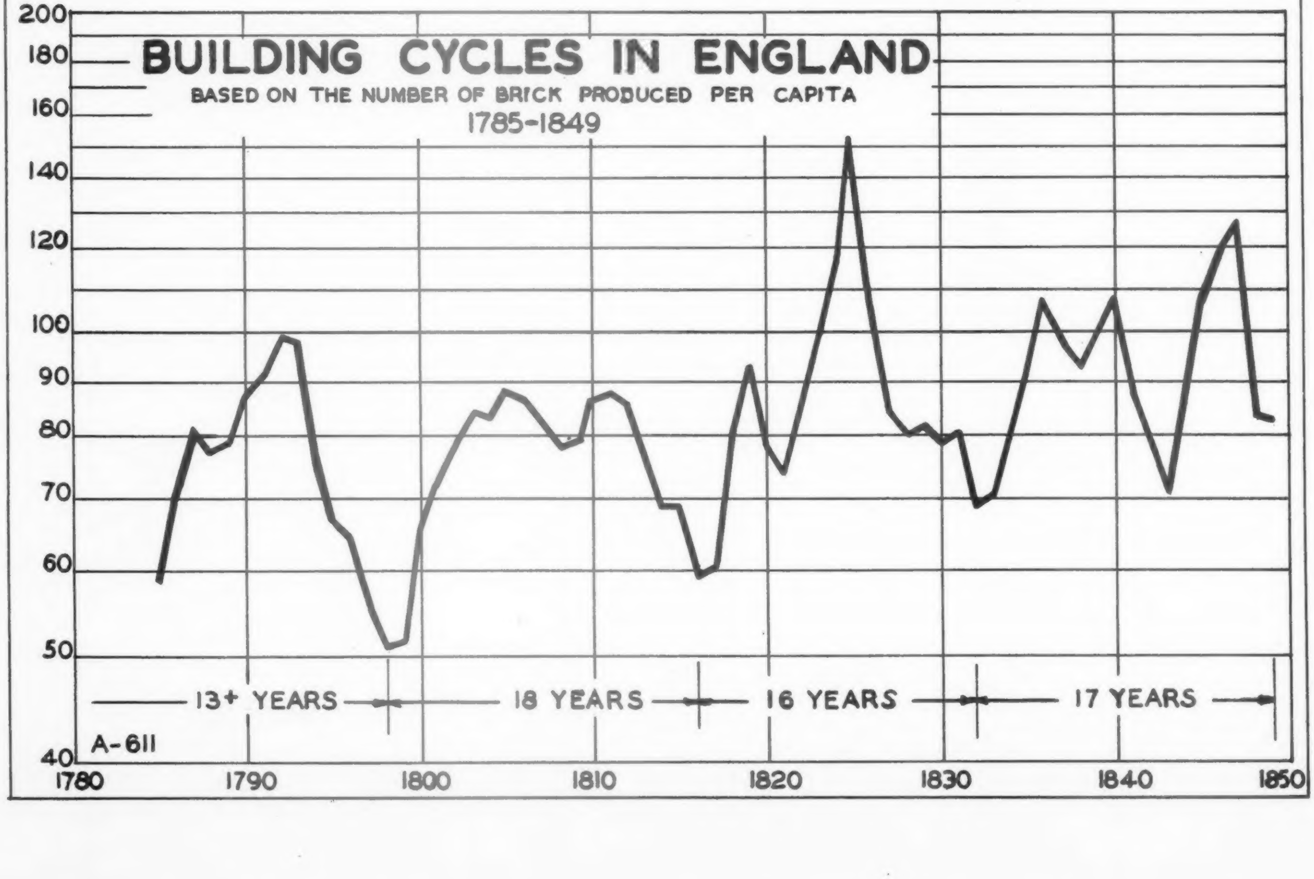
Now we come across an interesting indication that this cycle has existed for at least a hundred and fifty years and that it has affected countries other than the United States. Dr. Frank Pearson has called our attention to an article by H. A. Shannon in the August issue of Economica called "Brick; A Trade Index".

Mr. Shannon has reported the number of bricks on which taxes were paid in England and Wales from 1775 to 1849. Since the tax was small the figures given probably represent the greater part of the actual production. Since most bricks at that time were used in building construction it is thought that the increases and decreases in the volume of building are shown by the changes in the production level of brick.

The per capita production of brick in England and Wales derived from these figures is charted below. The upward trend over the entire period is probably due to the increased use of brick during this period in comparison with other building materials.

It is impossible from these figures to tell the length of the cycle ending in 1798 as it started before the first year for which Mr. Shannon presents his figures. It looks as if it might have been about fifteen years. The second cycle lasted for eighteen years, the third for sixteen, and the fourth for seventeen. The interruption in the last cycle was probably due to some cause similar to the depression of 1920 and 1921 which changed the shape of the last boom in the United States. (See pages 375 and 376 in this issue.)

A charting of the construction cycle in the United States over a long period of years made some years ago by John R. Riggleman, then with the Bureau of Standards, showed almost exactly the same thing, i.e. cycles extreme in the size of their swings from inactivity to booms and cycles of approximately this same length.

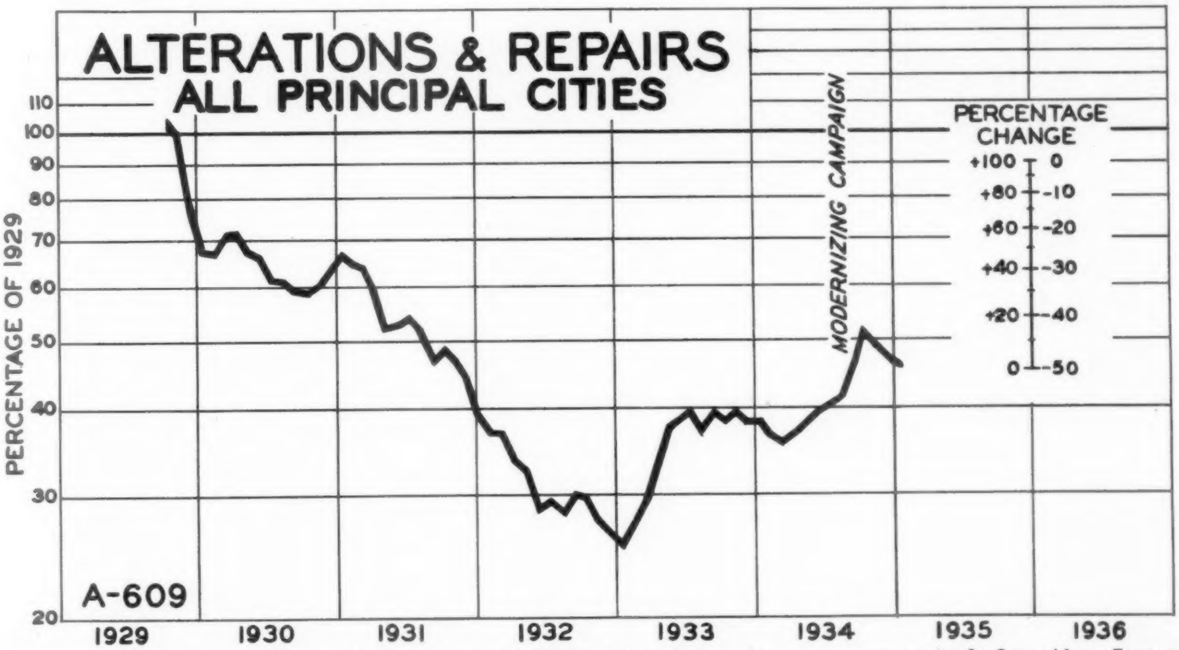


RESIDENTIAL RENTALS ARE RISING IN MANY CITIES

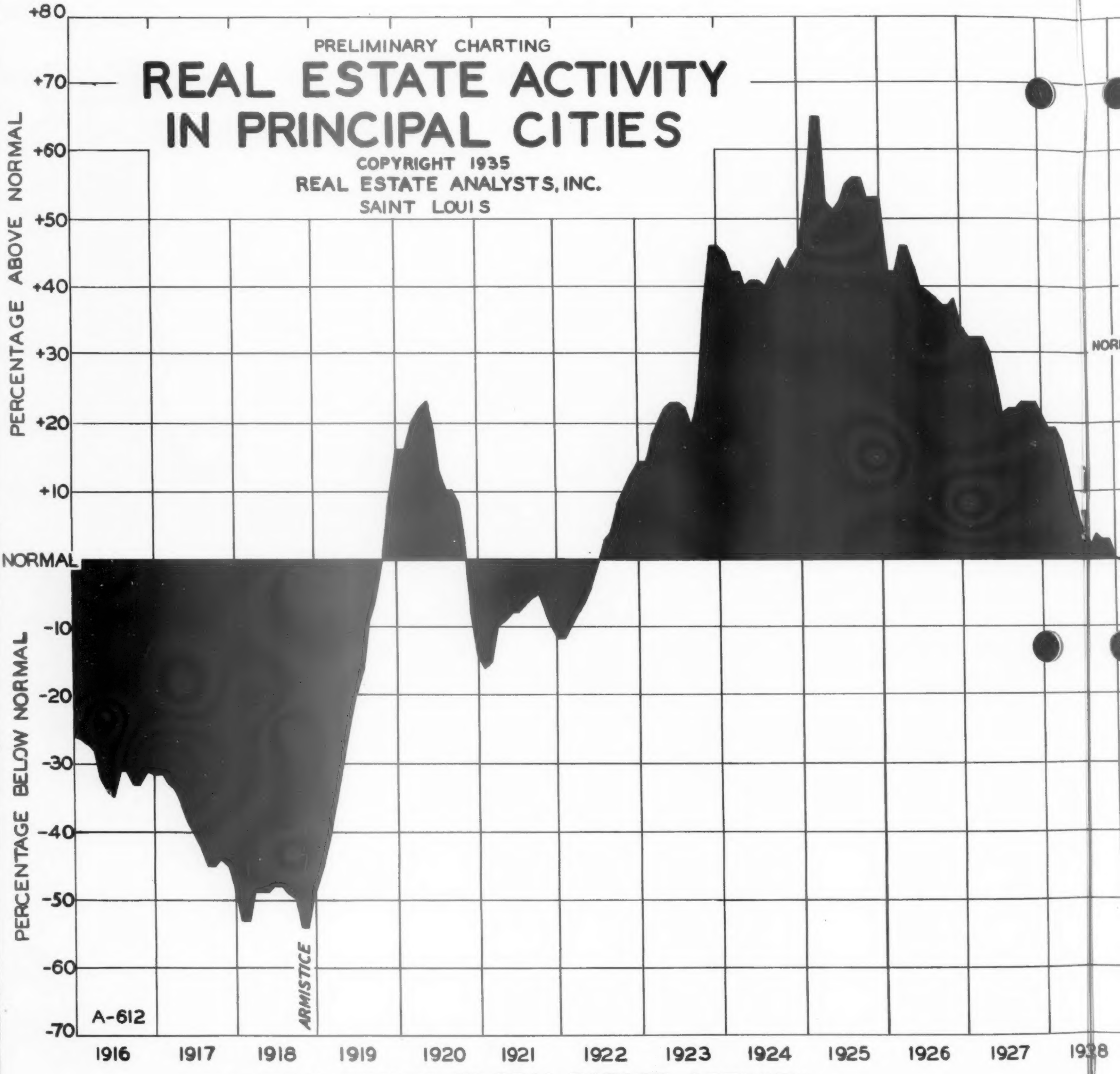
THE Real Estate Analyst computes the average advertised rentals of residential units of various types and sizes each month in the twenty-five metropolitan cities listed below. The figures given are average rentals per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city.

It is to be expected that the average of all places advertised for rent will vary considerable from month to month due to the inclusion some months of a larger number of either high or low priced units. However, the surprising thing is not these occasional "freakish" swings but the regular rises and falls shown by these figures over a period of months or years. That the trend is definitely up in most cities is clearly indicated by the figures below. These figures will be carried each month in the Real Estate Analyst.

CITY	SINGLE FAMILY		APARTMENTS	
	Jan.	Feb.	Jan.	Feb.
Atlanta	$ 5.66	$ 5.74	$ 8.42	$9.80
Baltimore	4.86	4.98	10.33	11.27
Birmingham	4.43	4.43	8.36	8.62
Boston	6.04	6.65	9.55	11.75
Chicago	7.99	8.59	11.68	12.32
Cincinnati	7.66	7.33	10.70	10.82
Cleveland	6.93	6.64	8.43	9.24
Columbus	5.31	5.17	9.01	9.09
Denver	4.89	4.78	9.70	9.88
Detroit	5.73	6.02	9.60	10.08
Houston	6.44	6.53	8.68	8.38
Los Angeles	8.43	8.52	10.23	9.76
Milwaukee	6.94	7.60	9.32	9.70
Minneapolis	4.89	4.97	8.89	9.09
New Orleans	4.87	4.79	8.23	8.22
New York	12.20	12.28	17.29	16.87
Omaha	4.69	4.86	10.30	10.29
Philadelphia	5.38	5.58	13.66	14.57
Pittsburgh	6.29	6.72	8.81	9.43
Richmond	5.82	5.50	-	9.56
Saint Louis	5.69	5.64	8.62	8.66
Salt Lake City	4.44	5.06	9.22	9.08
San Francisco	7.15	6.50	11.36	10.92
Seattle	5.02	4.97	10.10	10.24
Tulsa	5.85	5.97		



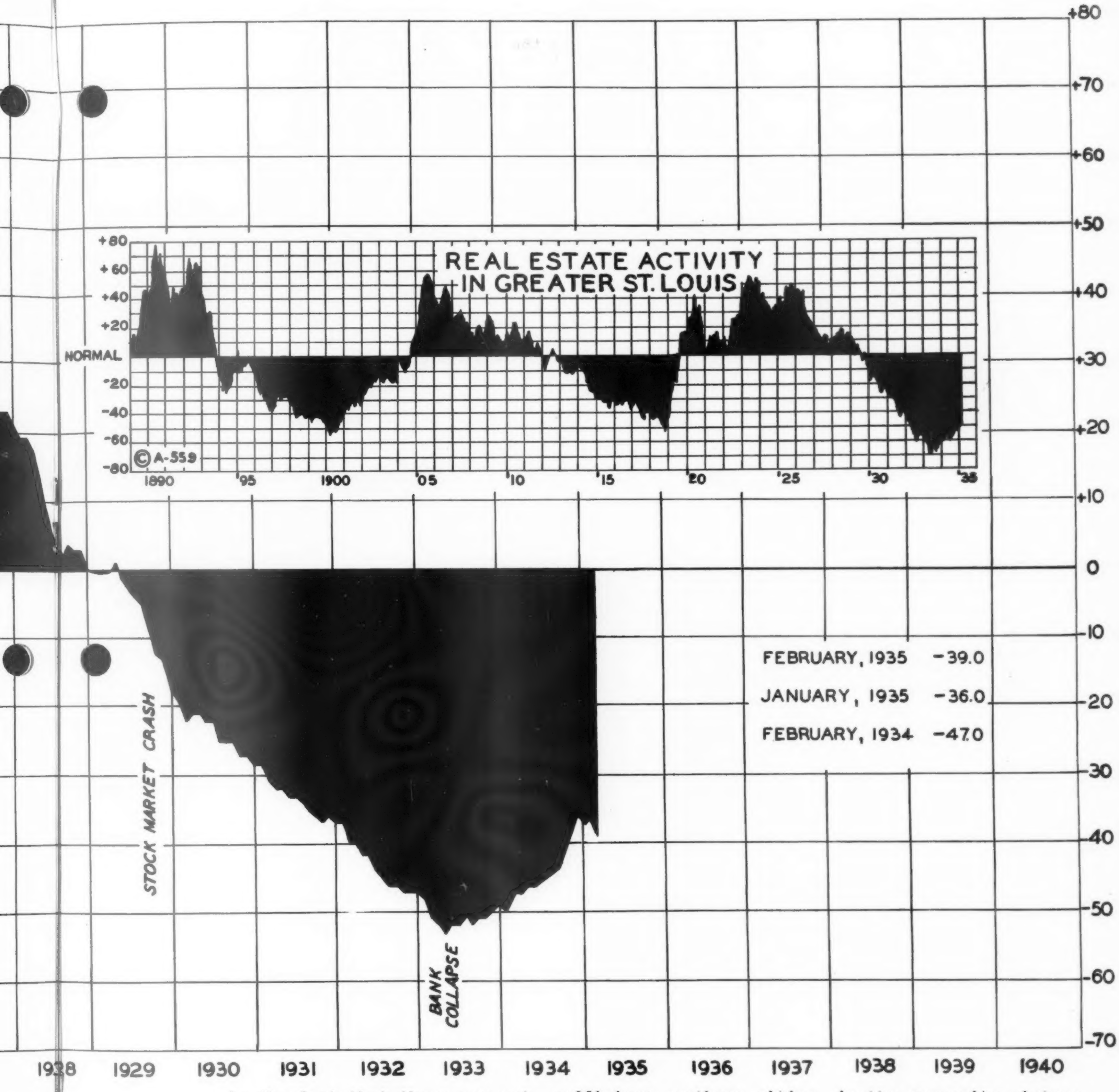
The chart above is reprinted from the last issue, corrected for the January figures which are now complete. It will be noticed that most of the effect of the modernizing campaign seems to have worn off.



NATIONAL CYCLES OF REAL ESTATE ACTIVITY

THE chart above represents, so far as we know, the first effort to chart the real estate activity cycle for the United States. It is based on the number of voluntary sales of real estate in twenty-four principal cities with their suburban communities comprising in all one hundred seventy-five cities of more than five thousand population. The black areas above the line represent periods of activity. The black areas below the line represent periods of inactivity. The scale at each end of the chart shows the percentage above or below normal.

It is titled "Preliminary Charting" as there are still a number of points about it which needs further study before a "final" chart can be drawn. One of these



is the fact that there are not sufficient southern cities in the composite picture to adequately represent that section of the country. These cities will be added as rapidly as they can be computed. Another factor which is still not certain is the position of the normal line. This can be more accurately determined only after the data has been worked back over a much longer period of years. This will take many months to do. The final chart will be printed as soon as a study of these factors permits. In the meantime the "preliminary" is given.

To give some idea of the earlier booms and depressions the Saint Louis cycles are shown in the small insert on the chart.

It is quite interesting to note the similarities and differences in the

overlapping portion of the Saint Louis cycle and this preliminary charting of the national cycle.

The end of the War Depression is practically the same on both charts, showing that the rapid recovery experienced in Saint Louis after the Armistice was experienced in the same intensity through-out the country. The depression of 1920 to 1921, however, was apparently less severe in Saint Louis than it was in most parts of the United States, as real estate activity in Saint Louis was not forced below the normal line while the principal city chart shows it at one time as much as 16% below normal. The rebound in Saint Louis after this depression was more rapid with a sharper reaction in 1924. From 1925 to the present there has been little difference in the two charts. Recovery seems to have started at about the same time and proceeded at about the same rate on both charts.

It seems to us that during the next few years we will see a continuation of the upward trend with a strong possibility of crossing the normal line and going into a boom by 1938, or before. How rapid the upward movement will be will depend on increasing values. These in turn depend on an increase in rentals and a drop in the foreclosure rate with fewer distress properties on the market. An increase in rentals - some increase has already taken place - depends on decreasing vacancy. A decrease in vacancy is the result of increased space requirement. This may be due in residential properties to the undoubling of doubled up families, to an increase in the marriage rate or to an increase in urban population. Each of these factors depends in turn on industrial conditions. As we are now at the critical point where our supply of acceptable housing units is hardly sufficient to meet the demand, even a reasonable amount of recovery in general business should bring a very marked degree of improvement to real estate.

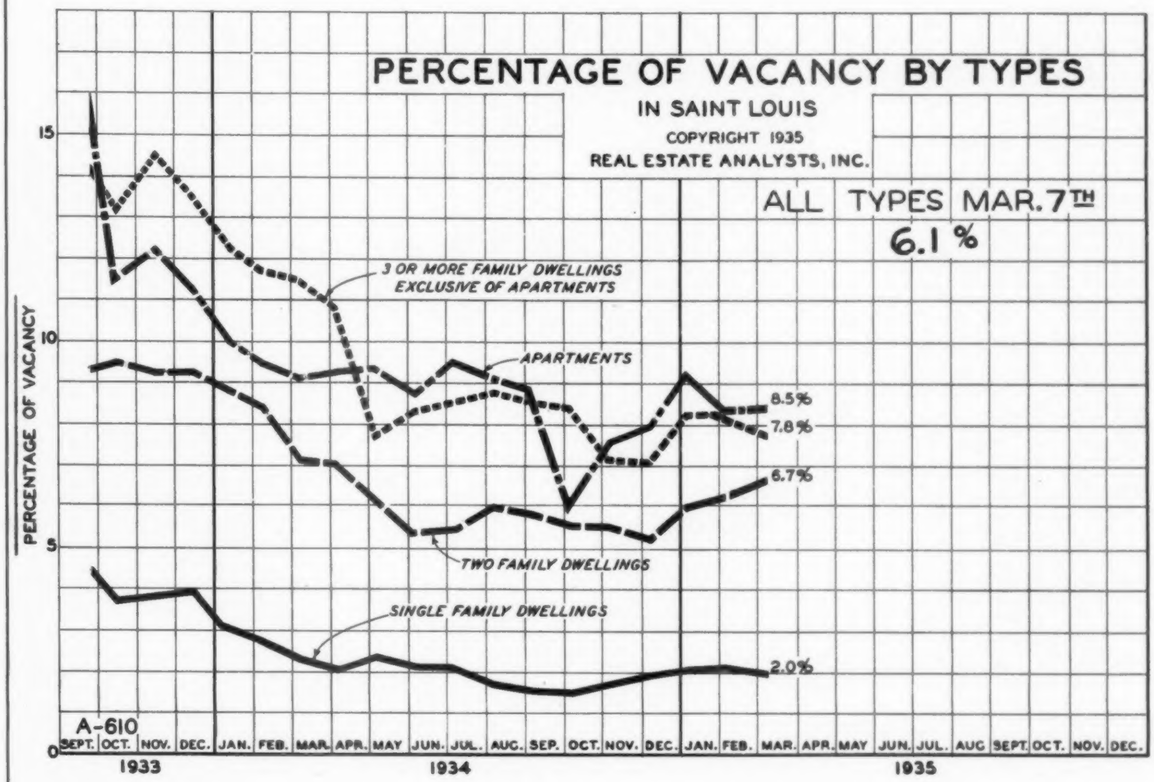
THE FEDERAL GOVERNMENT AND MORTGAGE POLICIES

FEW people realize the amount of mortgage business in the United States which is passing under direct federal control. The following figures were compiled in an effort to measure as accurately as possible the volume of mortgage financing done either by the government itself or under definite government control. Some of the figures in the table below are thought to be accurate; others are approximations secured from the best available sources.

OWNERSHIP			
HOLC	$ 3,000,000,000		
Federal Land Banks	1,896,414,669		
Farm commissioner's Loans	623,949,000		
RFC	400,000,000 *		*Approximations
Total Ownership		$ 5,920,363,669	
CONTROL			
Federal S & L Assns.	$ 190,000,000		
Insured B & L Assns.	1,500,000,000 *		
Federal Chartered B & L Assns. (This overlaps with preceding)	400,000,000 *		
Federal Home Loan Banks	86,651,236		
Total Control		$ 2,176,651,236	
GRAND TOTAL		$ 8,097,014,905	

Estimates of total mortgage indebtedness in the United States vary considerably in size but we believe that the total is probably somewhere between thirty-six and forty-one billion dollars. If the small figure is accepted then the government now has under its direct ownership or control 22½% of the mortgage lending. If the larger figure is accepted then this percentage drops to approximately 20%. We are not so much concerned with the exact percentage as we are with the implications. A control this definite means that in the future INTEREST RATES AND MORTGAGE POLICIES WILL BE DETERMINED IN WASHINGTON.

These figures do not include the large mortgage portfolios directly controlled by the RFC through large loans or ownership of preferred or common stock of the borrowing distressed institutions.



DURING February there was a slight reduction in the number of residential vacancies in Saint Louis but the situation is changing very slowly at the present time. Vacancy stands today at about the same level that it was last September. The rapidity with which the remaining vacancy will be absorbed will depend largely on business recovery.

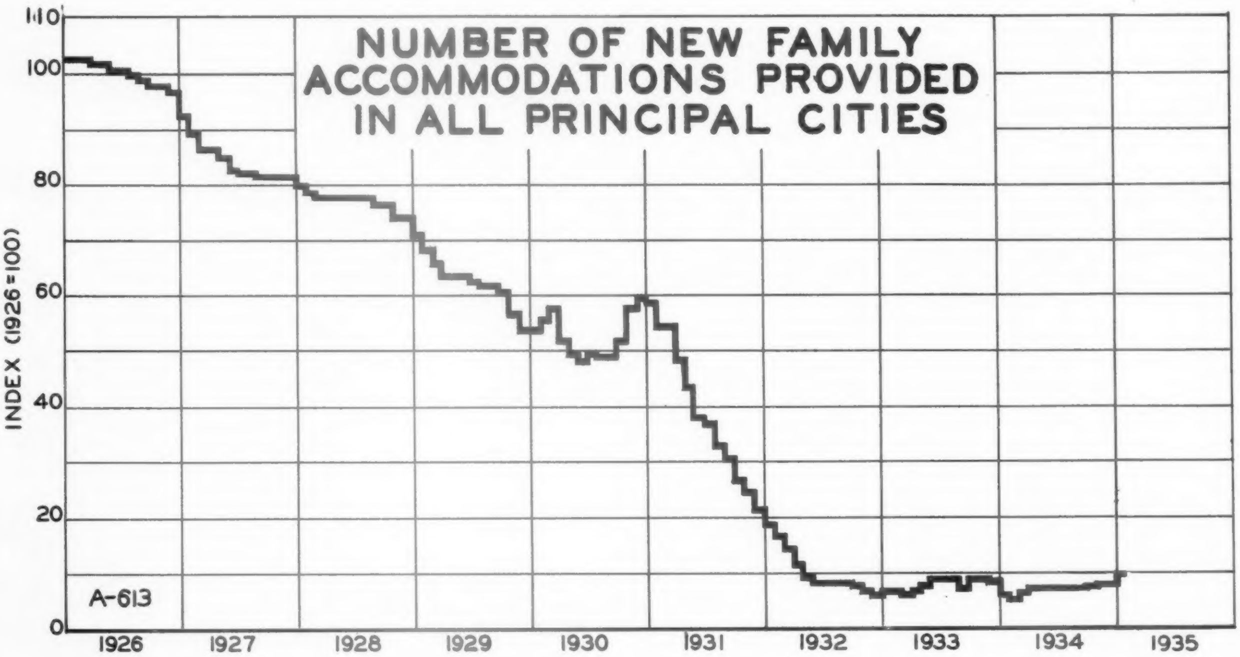
The number of vacant units in Saint Louis by months since the introduction of the monthly vacancy survey by Real Estate Analysis, Inc., is shown in the following table.

Month	Vacancy	%	Absorption
September '33	23,354	10.4	894
October	22,460	10.0	2,010
November	20,450	9.1	-900
December	21,350	9.5	1,102
January '34	20,248	9.1	1,598
February	18,650	8.3	1,100
March	17,550	7.8	900
April	16,650	7.4	1,950
May	14,700	7.5	1,200
June	13,500	6.0	-500
July	14,000	6.3	0
August	14,000	6.3	400
September	13,600	6.1	1,100
October	12,500	5.6	400
November	12,100	5.4	0
December	12,100	5.4	-1800
January '35	13,900	6.2	0
February	13,900	6.2	300
March	13,600	6.1	
Absorption in eighteen months			9,754

In addition to the monthly figures above, we know that in November, 1932, residential vacancy totaled 28,207 units, or 12.8%. Vacancy has been reduced since then by 14,605 dwelling units.

(Continued from Page 371).
New financing has eased materially during the past year and a half. While the figure for February in principal cities is 39.3% below the figure of early last fall when the HOLC was at its peak in operations, it is still 48% higher than it was during the summer of 1933.

The January figure is the last available for the number of new family accommodations provided for by all new buildings in all principal cities. While this figure is the highest in more than a year it is only ten per cent of the level maintained in 1926. The chart below shows the new building for all principal cities.



CONSTRUCTION COSTS

THERE have been only slight changes in construction costs during the past ninety days. This is quite significant in view of the fact that most price fixing provisions have been removed from the codes during this period. It was quite generally feared that the removal of these provisions would temporarily disorganize the market.

The Lumber Manufacturer's code originally contained provisions for detailed minimum price lists. These minimum prices were discarded on December 22 of last year. On March first the "modal markup" of the retail yards expired. In spite of these changes there has been no great change in retail lumber prices. Stocks are no longer excessive, either at the mill or in the retail yard.

Millwork has advanced by about six and a half per cent. Brick is holding steady. Hard materials have under gone mixed movements with no great net change in the composite price.

Plumbing fixtures are holding steady after the drop of some months ago.

CUBIC COSTS

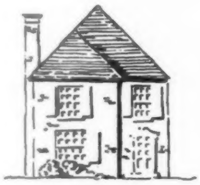
MARCH, 1935

THERE has been no great change in construction costs during the past ninety days. Prices have changed on many building materials during that time but the reductions have just about equalled the advances. (See the article opposite.)

MODERN BRICK BUNGALOW

Bungalow, as shown and described in pages 122 and 123, exclusive of financing and sales commission... 26.7¢
With hot air heat subtract........................ 1.5
Without vitrolite in kitchen subtract........... 0.4
With financing charges and sales commission add.. 2.0

SINGLE FAMILY TWO-STORY RESIDENCE



Single family residence, described on pages 62 and 63, exclusive of financing and sales commission.... 26.2¢
With copper guttering, spouting & flashing, add.. 0.4
With variegated slate roofing, add............... 1.0
With hot water heat, add......................... 1.1
Without tile walls in bath, subtract............. 0.5
Without shower & with cheap plumbing, subtract... 0.3
With ordinary millwork, subtract................. 0.6
With financing and sales commission, add......... 2.2

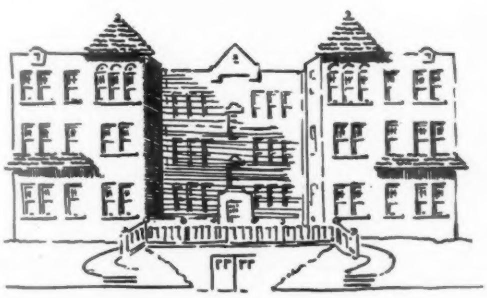
SPECULATIVE FOUR-FAMILY FLAT

Speculative four-family flat as shown and described on pages 72 and 73, excluding cost of financing and sales commission.................................22.6¢
With copper guttering, spouting & flashing, add.. 0.1
With steam heat, add............................. 0.8
With tile walls in baths, add.................... 0.6
With showers in baths, add....................... 0.4
With first class plumbing fixtures, add.......... 0.1
With financing and sales commission, add......... 1.8
With first grade roofing, add.................... 0.1

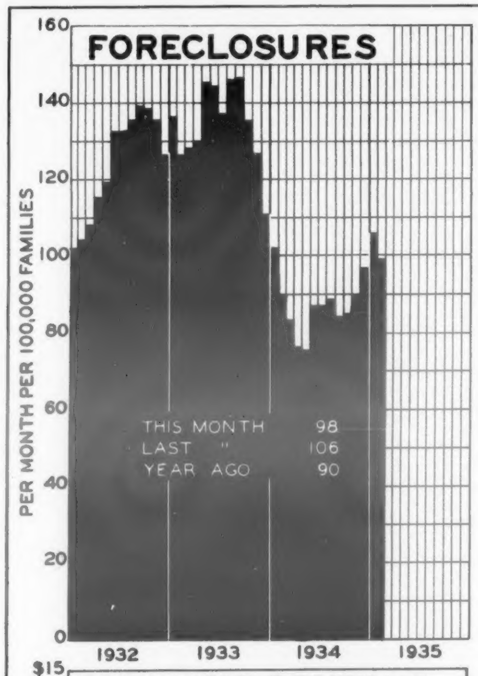
EIGHTEEN-FAMILY MASONRY APARTMENT

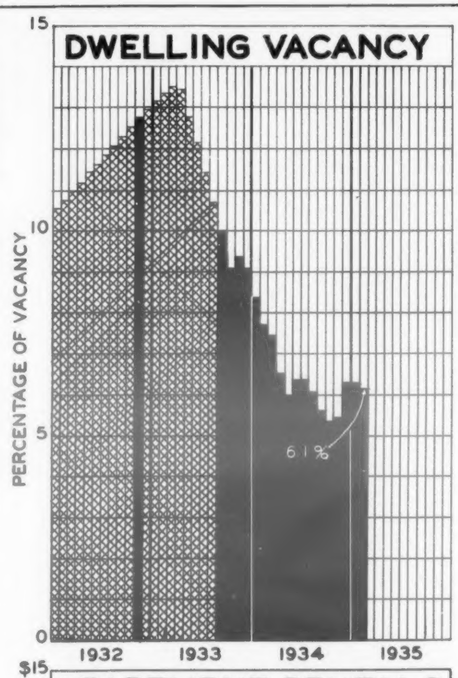
Eighteen family masonry apartment, as described on pages 82 and 83, excluding cost of financing and sales commission.........36.1¢
With electrical refrigeration, add..... 1.1
With gas stoves, add................... 0.3
With beds, add......................... 0.1
With iron rear porches & steps, add.... 1.2
With financing & sales commission, add. 2.6

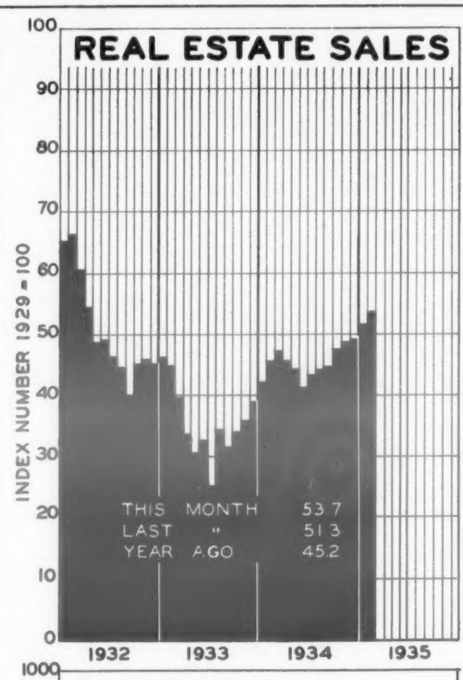
THIRTY-FAMILY REINFORCED CONCRETE APARTMENT

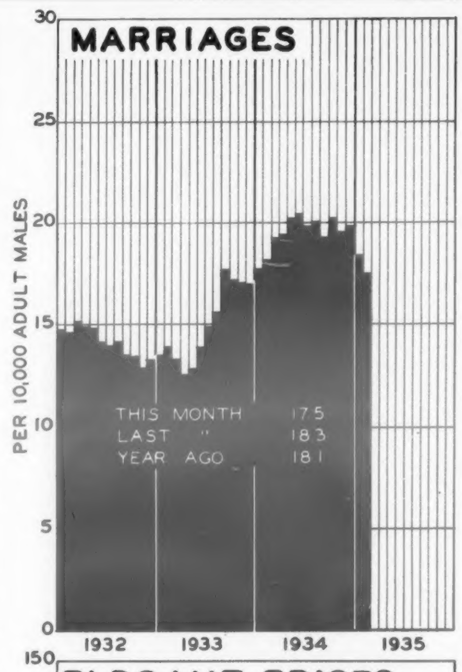


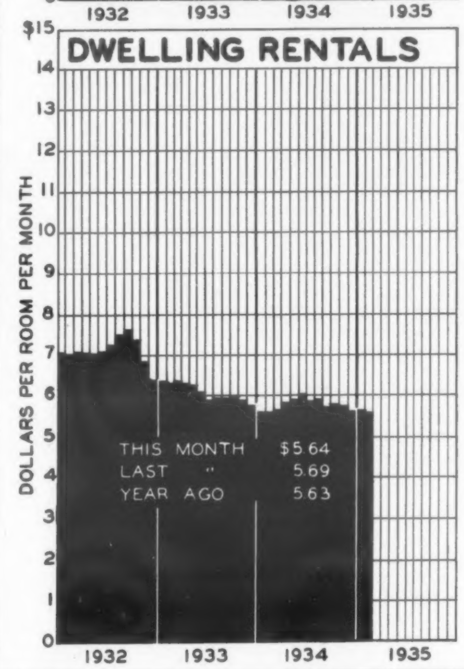
Thirty family reinforced concrete apartment, as shown and described on pages 92 and 93, excluding cost of financing and sales commission.................................40.0¢
With electrical refrigeration, add..... 1.1
With gas stoves, add................... 0.2
With iron rear porches & steps, add.... 1.3
With financing & sales commission, add. 3.0

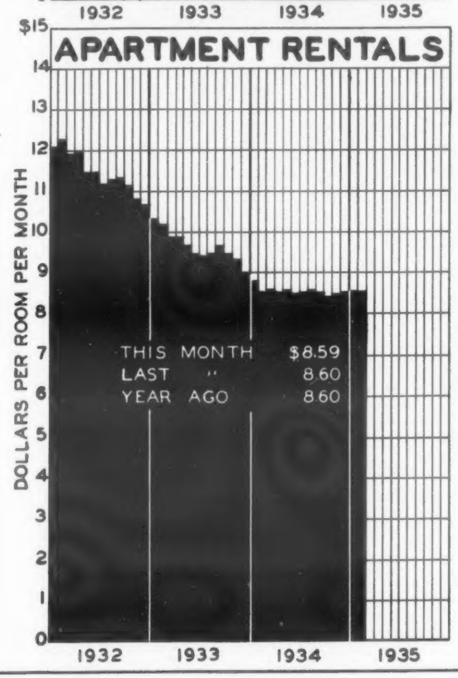

FORECLOSURES
PER MONTH PER 100,000 FAMILIES
160
140
120
100
80
60
40
20
0
THIS MONTH 98
LAST " 106
YEAR AGO 90
1932
1933
1934
1935

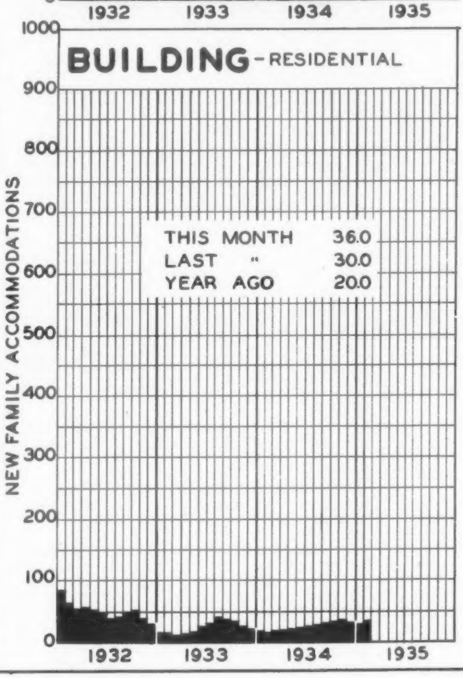

DWELLING VACANCY
PERCENTAGE OF VACANCY
15
10
5
0
6.1%
1932
1933
1934
1935

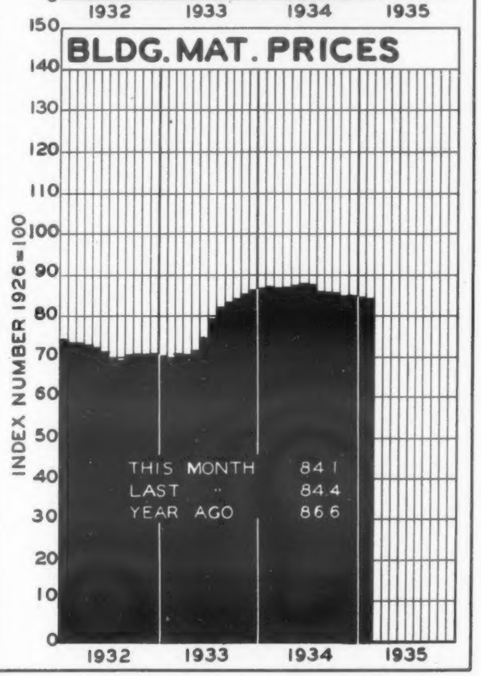

REAL ESTATE SALES
INDEX NUMBER 1929=100
100
90
80
70
60
50
40
30
20
10
0
THIS MONTH 53.7
LAST " 51.3
YEAR AGO 45.2
1932
1933
1934
1935


MARRIAGES
PER 10,000 ADULT MALES
30
25
20
15
10
5
0
THIS MONTH 17.5
LAST " 18.3
YEAR AGO 18.1
1932
1933
1934
1935


DWELLING RENTALS
DOLLARS PER ROOM PER MONTH
$15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
THIS MONTH $5.64
LAST " 5.69
YEAR AGO 5.63
1932
1933
1934
1935


APARTMENT RENTALS
DOLLARS PER ROOM PER MONTH
$15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
THIS MONTH $8.59
LAST " 8.60
YEAR AGO 8.60
1932
1933
1934
1935


BUILDING - RESIDENTIAL
NEW FAMILY ACCOMMODATIONS
1000
900
800
700
600
500
400
300
200
100
0
THIS MONTH 36.0
LAST " 30.0
YEAR AGO 20.0
1932
1933
1934
1935


BLDG. MAT. PRICES
INDEX NUMBER 1926=100
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
THIS MONTH 84.1
LAST " 84.4
YEAR AGO 86.6
1932
1933
1934
1935